

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-07
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15
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FM AMEMBASSY ROME
TO SECSTATE WASHDC 6373
TREASURY DEPT WASHDC
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMCONSUL FLORENCE
AMCONSUL GENOA
AMCONSUL MILAN
AMCONSULNAPLES
AMCONSUL PALERMO
AMCONSUL TRIESTE
AMCONSUL TURIN

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E.O. 11652: N/A
TAGS: EFIN, IT
SUBJ: CONFINDUSTRIA SURVEY OF PROSPECTS IN INDUSTRYFOR
1977-1978

1. SUMMARY. ON AUGUST 5 ITALIAN PRESS REPORTED RESULTS
OF CONFINDUSTRIA ANNUAL SURVEY OF INDUSTRIAL PROSPECTS COVERING
TWO-YEAR PERIOD 1977-78. SURVEY COVERS ALL BRANCHES OF INDUSTRY,
I.E., MINING, MANUFACTURING, CONSTRUCTION AND PRODUCTION AND
DISTRIBUTION OF ELECTRICITY AND GAS. IN GENERAL OUTLOOK IS
MODESTLY OPTIMISTIC, WITH PROSPECTS FOR 1978 SOMEWHAT BETTER
THAN FOR 1977. MOST NEGATIVE ASPECT OF SURVEY IS PROJECTED
SMALL DECLINE IN EMPLOYMENT IN INDUSTRY IN 1977 AND STAGNANT
LEVEL IN 1978. END SUMMARY
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2. PRODUCTION. PRODUCTION IN INDUSTRY (INCLUDING CONSTRUCTION
BUT EXCLUDING MINING) IS FORECAST TO GROW BY 1.4 PERCENT IN 1977
AND 4.0 PERCENT IN 1978. MAJOR NEGATIVE ELEMENTS WHICH EXPLAIN
SMALL GROWTH IN 1977 ARE IDENTIFIED AS: INSUFFICIENT DOMESTIC
DEMAND, INCREASED COSTS OF PRODUCTION AND EXCESS PRODUCTIVE
CAPACITY. WITHIN INDUSTRIAL SECTOR, ELECTRICITY AND GAS WOULD

HAVE STRONGEST RATE OF GROWTH. IN MANUFACTURING, TRANSPORT EQUIPMENT AND PETROLEUM AND COAL PRODUCT INDUSTRIES WOULD BE STRONGEST (PLUS 9.8 PERCENT AND PLUS 7.0 PERCENT), WHILE THERE WOULD BE SUBSTANTIAL DECLINE IN PRODUCTION AMONG SEVERAL OTHER SECTORS, INCLUDING FURNITURE (-11.4) AND CLOTHING (-7.1). FOR 1978, PRODUCTION WOULD BE PARTICULARLY STRONG IN MANUFACTURING OF SYNTHETIC FIBERS (PLUS22.5) AND FURNITURE (PLUS 14.4).

3. INVESTMENT. INVESTMENT IN REAL TERMS (CONSTANT 1975 LIRE) WOULD RISE MORE SHARPLY IN 1978 THAN IN 1977, WITH ELECTRICITY AND GAS SECTOR STRONG BOTH YEARS AND MINING STRONG IN 1978. WITHIN MANUFACTURING SECTOR IN 1977, TRANSPORT EQUIPMENT (PLUS 23.9), RUBBER (PLUS 20.5), METALLURGY (PLUS6.4) AND FOOD (PLUS6.2) SECTORS WOULD HAVE SIGNIFICANT POSITIVE GROWTH COMPARED TO GENERALLY NEGATIVE DEVELOPMENTS IN OTHER SECTORS.

4. EMPLOYMENT. THE EMPLOYMENT SITUATION IN INDUSTRY PRESENTS LEAST POSITIVE ASPECT OF SURVEY, WITH SMALL; DECLINE FORECAST THIS YEAR AND NO GROWTH IN 1978. CONSTRUCTION INDUSTRY WOULD CONTINUE TO BE DRAG ON EMPLOYMENT. MAIN REASON FOR NO EMPLOYMENT GROWTH IS USUAL LAG IN NEW HIRINGS DURING ECONOMIC RECOVER WHICH IS PROCEEDING AT VERY MODEST PACE.

5. PROSPECTS FOR INDUSTRY 1977-78 (PERCENT ANNUAL CHANGE IN REAL TERMS)

PRODUCTION INVESTMENT EMPLOYMENT

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1977 1978 1977 1978 1977 1978

MINING	N.A.	N.A.	2.5	28.5	-1.3	1.2
MANUFACTURING	1.9	5.0	-0.6	1.0	-0.3	0.5
CONSTRUCTION	-2.6	-1.1	-3.7	-1.2	-2.0	-1.2
ELECTRICITY/GAS	4.8	6.0	12.7	14.4	0.4	0.4

1.4 4.1 2.1 5.0 -0.7 -

NA-NOT AVAILABLE

6. COMMENT. WHEN INTERVIEWED FOLLOWING RELEASE OF STUDY, CONFINDUSTRIA DIRECTOR GENERAL SAVONA COMMENTED THAT ITALY'S ECONOMIC PROSPECTS FOR THIS TWO-YEAR PERIOD WERE NOT "BLACK," BUT ITS SOCIO-POLITICAL PROSPECTS REMAINED UNCERTAIN. HE THOUGHT THAT RECENTLY CONCLUDED PROGRAMMATIC AGREEMENT AMONG SIX POLITICAL PARTIES HAD NOT GREATLY AFFECTED ATTITUDE IF ITALIAN BUSINESS COMMUNITY. NONETHELESS, HE PERCEIVED AN INCREASED WILLINGNESS TO DEAL WITH ITALY'S ECONOMIC PROBLEMS. HE FEARED, HOWEVER, THAT THE POLITICACAL PARTIES, IN THEIR DETERMINATION TO RESOLVE ECONOMIC PROBLEMS, MIGHT NOT ADEQUATELY

TAKE INTO ACCOUNT REALITIES OF CURRENT BUSINESS CONDITIONS
AND MIGHT END UP BY CREATING FURTHER IMPEDIMENTS TO A STRONG
BUSINESS SECTOR. WITHOUT WISHING TO ENGAGE IN POLEMICS AND
MORALISM, SAVONA CONCLUDED THAT ONE IMPORTANT FUNCTION OF
CONFINDUSTRIA WAS TO PUBLICLY IDENTIFY WEAKNESSES IN ITALY'S
ECONOMIC SYSTEM. HE SAID THAT "A LITTLE DOSE OF CAVLININISM
TODAY IS NECESSARY FOR EVERYONE."HOLMES

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